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FISCAL IMPACT STATEMENT

LS 7831

BILL NUMBER: HB 1766

NOTE PREPARED: Jan 11, 2007

BILL AMENDED:

SUBJECT: Utility Reconnection Fees and Deposits.

FIRST AUTHOR: Rep. Smith V

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Reconnection Costs:* This bill provides that the amount charged by a utility, other than a telecommunications provider, to reconnect service may not exceed actual reconnection costs. The bill also requires a utility to reconnect service within one calendar day after being requested to reconnect service.

Deposit Requirement: The bill provides that an electric or a gas utility may require the payment of a deposit by an applicant or a customer as a condition for receiving or reconnecting utility service only as allowed under rules adopted by the Utility Regulatory Commission (IURC). The bill provides that the amount of a deposit may not exceed 1/12 of the estimated annual cost of the utility service to be provided. The bill directs the IURC to amend certain rules to the extent necessary to make the rules conform to the prescribed requirements.

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary of IURC Expenditures:* This bill would require the Indiana Utility Regulatory Commission (IURC) to review and, if necessary, promulgate rules related to utility reconnection charges. This requirement can be implemented within the existing level of resources available to the agency.

Explanation of State Revenues: *Deposit Requirement:* This bill provision of the bill will cause an indeterminable decrease in Utility Receipts Tax (URT) and Utility Services Use Tax (USUT) collections deposited in the state General Fund.

This bill provides that an electric or gas utility may require a deposit from a residential customer as a

condition of receiving service (the definition of residential customer includes a building served by a master meter). The bill also provides that the deposit may not exceed 1/12 of the estimated annual cost of the utility service to be provided to the customer (or one month's payment if the customer is on a budget billing plan). These deposit amounts collected by an electric or gas utility are taxable receipts under the URT and part of the gross consideration received under the USUT. The rate for both the URT and USUT is 1.4%.

Under the current rules adopted by the IURC a deposit collected by an electric or gas utility may not exceed 1/6 of the annual cost of the utility service to be provided to the customer. Therefore it is anticipated that the deposit amounts collected by an electric or gas utility which are taxable under the URT and USUT will decrease by approximately 50% going forward. The total amount of deposits collected is unknown.

Background: This bill caps the amount of deposits that can be collected by an electric or gas utility, but the IURC rules govern when these utilities may collect a deposit. Both 170 Indiana Administrative Code (IAC) 4-1-15 and 170 IAC 5-1-15 set forth the criteria to determine the creditworthiness of a potential residential customer. If a customer is deemed creditworthy, the utility may NOT collect a deposit as a condition of service. 170 IAC 4-1-15 provides, in relevant part, that:

"(a) Each utility shall determine the creditworthiness of an applicant or customer in an equitable and nondiscriminatory method:

(1) without regard to the economic character of the area wherein the applicant or customer resides; and

(2) solely upon the credit risk of the individual without regard to the collective credit reputation of the area in which he or she lives.

(b) Each new applicant for residential utility service shall be deemed creditworthy and shall not be required to make a cash deposit as a condition of receiving service if the applicant satisfies the following criteria:

(1) If the applicant has been a customer of any utility within the last two (2) years, the applicant:

(A) owes no outstanding bills for service rendered within the past four (4) years by any such utility;

(B) during the last twelve (12) consecutive months that the service was provided, did not have more than two (2) bills that were delinquent to any utility or, if service was rendered for a period for less than twelve (12) months, did not have more than one (1) delinquent bill in such period; and

(C) within the last two (2) years did not have a service disconnected by a utility for nonpayment of a bill for services rendered by that utility.

(2) If the applicant has not been a customer of a utility during the previous two (2) years, any two

(2) of the following criteria are met:

(A) The applicant either:

(I) has been employed by his or her present employer for two (2) years;

(ii) has been employed by his or her present employer for less than two (2) years, but has been employed by only one (1) other employer during the past two (2) years; or

(iii) has been employed by the present employer for less than two (2) years and has no previous employment due to recently:

(AA) graduating from a school, university, or vocational program; or

(BB) being discharged from military service.

(B) The applicant either:

(I) owns or is buying his or her home; or

(ii) is renting a home or an apartment and has occupied the premises for more than two (2) years.

(C) The applicant has credit cards, charge accounts, or has been extended credit by a bank, commercial concern, or individual unless a credit check shows that the applicant has been in default on any such account more than twice within the last twelve (12) months."

Explanation of Local Expenditures:

Explanation of Local Revenues: *Reconnection Costs:* Depending on the amount charged by a municipally owned utility for reconnecting service, a utility could experience a reduction in revenue if the reconnection fee must be reduced.

State Agencies Affected: IURC.

Local Agencies Affected: Municipally owned utilities.

Information Sources:

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